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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 000218

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STATE FOR NEA/ARP, NEA/I, AND EBB  
BAGHDAD FOR ECON AND OSD - ROBERT LOVE

E.O. 12958: DECL: 02/14/2017  
TAGS: [ECON](#) [BEXP](#) [ETRD](#) [PREL](#) [PGOV](#) [KU](#) [IZ](#)  
SUBJECT: KUWAITIS KEEN TO INVEST IN IRAQ, BUT SECURITY AND  
CORRUPTION CONCERNS REMAIN

Classified By: CDA Matt Tueller for Reasons 1.4 (b) and (d)

¶1. (C) Summary and Comment: On February 11, Director of the OSD Task Force to Support Business and Stability Operations in Iraq Robert Love met separately with prominent Kuwaiti investors to enlist their support for revitalizing the Iraqi economy through investment and facilitating access to external markets. Love encouraged Kuwaiti investors to seek opportunities to invest in Iraqi companies to connect them to markets outside Iraq. Tarek Sultan of Agility (formerly PWC) said his company has a number of projects in Kurdistan and a few joint ventures in Baghdad. Sultan cited the lack of GOI decision-making as a problem, but said he is very interested in developing a free trade zone near the Kuwait-Iraq border as well as distributing Iraqi products through Agility's network. (Note: Following the meeting, Econoff received an email from Sultan indicating that Agility has set aside USD 10 million for such projects, pending business due diligence.) Rabah Al-Rabah of the Kuwait Chamber of Commerce and Industry said "security is the first and last issue in Iraq," but agreed that rebuilding Iraq's economic base is in Kuwait's interests over the long term. Rabah agreed to host a conference of Kuwaiti and Iraqi businessmen in the April/May timeframe to help expand the trade relationship. Wadih Al-Absi of First Kuwait Trading and Construction, lead contractor for the new U.S. embassy in Baghdad, said his company has 7-8 major projects in Iraq, but stated his frustration and concern with the security situation. Al-Absi said he currently sources almost all materials from Kuwait, but would gladly buy Iraqi goods if the U.S. military would guarantee vehicle escorts to ensure entry into coalition installations. Al-Absi also argued that Iraqis seen connected in any way to MNF-I efforts are targets for insurgents, and asked that Iraqi workers be allowed to live inside coalition compounds. Dr. Nasser Behbehani of Awraq International complained about GOI corruption and a lack of contract enforcement.

¶2. (C) All interlocutors agreed that there are business opportunities to pursue in Iraq, and that relieving unemployment through a revitalization of Iraq's economy is in Kuwait's interest. Predictably, security concerns and GOI corruption were cited repeatedly as barriers to investment, but OSD's Love stated that he could address some of their concerns through his direct dealings with Deputy PM Barham Salih. Connecting Iraqi producers to companies that can buy and transport their products to markets is key. Swift follow-up will be important to building and sustaining Kuwaiti interest in this initiative. Kuwaiti companies in Iraq that do not currently employ many Iraqis or buy materials in Iraq will be hesitant to change their business models unless they see genuine USG commitment to solving transparency problems and facilitating relationships between

Iraqi and foreign companies. End Summary and Comment.

Long Term, "More Risky Not to Invest" in Iraq

13. (C) On February 11, Director of the OSD Task Force to Support Business and Stability Operations in Iraq Robert Love met with prominent Kuwaiti investors to enlist support for revitalizing Iraq's economy through investment and facilitating access to external markets for Iraqi products. Tarek Sultan, Chairman and Managing Director of Agility (formerly PWC, one of the world's leading logistics companies), was upbeat on the long-term investment prospects for Iraq, said he was "already sold on Kurdistan" and that the regional government's red tape is the only hindrance to doing business there. In central and southern Iraq, where security is much more of a concern, Sultan said Agility has a few joint ventures, but the lack of GOI decision-making is a serious problem despite Agility's readiness to enter into contracts. Sultan said he is very interested in establishing a free trade zone on the Iraqi side of the Kuwait-Iraq border, and would also like to get involved with the Um Qasr South port, cement production, scrap metal processing, and oil-sector logistics contracts. Sultan was very receptive to Love's argument about opportunities to invest in Iraqi companies and distribute Iraqi goods, saying that Agility can channel business to Iraq by virtue of its size. In an email sent to Econoff later the same day, Sultan wrote that his company had "allocated an immediate budget of USD 10 million for any specific projects that you wish to pursue, subject to the completion of business due diligence."

"Security is the First and Last Issue in Iraq"

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14. (C) Rabah Al-Rabah, Deputy Director General of the Kuwait Chamber of Commerce and Industry (KCCI) said that while Kuwaiti investors are eager to re-establish trade links, security is the foremost barrier to investment. Al-Rabah also noted confusion about the procedures for establishing businesses in Iraq. He was adamant that doing business in Iraq was vital to Kuwait's interests, saying that "this is our neighbor; we have to live with, deal with, and cooperate with them." He said there is substantial Kuwaiti capital seeking an investment outlet, noting that Kuwait is the biggest source of foreign investment in Jordan and the number two source for Egypt, and that if security conditions were better much of that money could be invested in Iraq. Al-Rabah stated that identifying the most promising sectors would help investors know where to focus, and highlighted telecommunications, machinery, hotels, and banking as some of the sectors to which investors should be directed. At Love's prompting, Al-Rabah agreed that the KCCI would host a conference to bring together Kuwaiti and Iraqi investors, with an aim to having the event in April or May. Al-Rabah welcomed the attendance of American businesses, but urged that the USG should not be a visible presence.

If Escorts Were Guaranteed, Would Source from Iraq

15. (C) Wadih Al-Absi, Managing Director of First Kuwaiti Trading and Contracting, which is the primary contractor for the new U.S. Embassy in Baghdad, expressed concern about the difficulty of employing Iraqis on his company's projects, relating several stories of Iraqi employees and suppliers who were killed because their work was related to MNF-I support. He argued in favor of allowing Iraqis to live inside coalition compounds to reduce the danger of being seen by insurgents entering and exiting the installations. Al-Absi said First Kuwaiti has 7-8 major projects in Iraq and spends between USD 2-2.5 million per month in local procurement. However, the vast majority of First Kuwait's materials are procured in Kuwait, both because of reliable availability and

because of the onerous security requirements for entry into MNF-I camps. He explained that materials trucked in from Kuwait travel with U.S. military convoys and are therefore considered secure enough to enter the camps. Locally procured materials, however, (he cited gravel as an example) must be dumped in a buffer zone outside the camps and then re-loaded onto different trucks for entry, a dual-handling procedure that dramatically increases costs and makes it impractical to source from Iraqi suppliers. Al-Absi stated clearly that he would "gladly buy supplies in Iraq if the U.S. military would guarantee an escort just like they do from Kuwait," to which Love responded that he would raise the matter with military officials in Baghdad. Al-Absi agreed that Kurdistan is now secure enough to be an attractive investment destination, but noted that the logistics of transporting vehicles and materials to Kurdistan (through other, less secure provinces) is "still too dangerous."

#### Corruption and Contract Problems

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¶6. (C) In a meeting with Dr. Nasser Behbehani, General Manager of Awraq International General Trading and Contracting, and his associate Yasser Al-Jaafar of United International Holding Company, both men expressed frustration with GOI corruption and a lack of contract sanctity. Jaafar said Iraqi officials routinely ask for payoffs and inflate contracts to include kickbacks. Iraqi border guards often demand bribes, he said. Behbehani complained that although he "works with the Iraqi Ministries, provincial governors, the Prime Minister and his advisers," key officials change so frequently that it is difficult to build relationships with reliable GOI officials. Turning to contracts, Behbehani said GOI officials routinely sign contracts despite lacking authorization to do so, and that even authorized contracts are not reliably honored. Responding to Love's question about buying materials from Iraqi suppliers, both Behbehani and Jaafar said they would do so if the security situation permitted. Jaafar added that the cost of security for transporting goods is nearly always more than the value of the goods themselves.

¶7. (U) OSD Love did not have a chance to clear this cable before departing Kuwait.

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